

**LATIN AMERICAN MINERALS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2005**

### **Introduction**

The following discussion of performance and financial condition should be read in conjunction with the interim unaudited financial statements of the Company for the quarter ended March 31, 2005 and the audited financial statements for the year ended December 31, 2004. The Company's financial statements are prepared in accordance with Canadian GAAP. The Company's reporting currency is Canadian dollars unless otherwise stated. The date of this Management's Discussion and Analysis is May 24, 2005.

### **Description of Business**

Latin American Minerals Inc. (the "Company") was incorporated under the Canada Business Corporations Act on December 9, 2003. The Company is listed on the TSX Venture Exchange (the "Exchange") as a capital pool company ("CPC") under the trading symbol – LAT.P.

The Company was incorporated with the purpose of identifying and evaluating businesses and assets with a view to completing a qualifying transaction (the "Qualifying Transaction"). Any proposed Qualifying Transaction must be accepted by the Exchange and in the case of a Non Arm's Length Qualifying Transaction is also subject to shareholder approval in accordance with CPC Policy. The Company has not conducted commercial operations other than to enter into discussions for the purpose of identifying potential acquisitions or interests.

Subsequent to the end of the period, the Company announced an agreement to acquire a 100% interest in mineral exploration properties located in Argentina (see **Qualifying Transaction**). This is an arm's length transaction that is awaiting approval from the Exchange as the Company's Qualifying Transaction. If the proposed transaction is approved, then the Company will commence trading on the Exchange as a Tier 2 Mining Issuer.

### **Qualifying Transaction**

The Company entered into an agreement with Arminex S.A. ("Arminex"), the Argentine subsidiary of Golden China Resources Corporation ("Golden China") (formerly Apac Minerals Inc.) a company incorporated under the laws of Canada and publicly traded on the Exchange, to purchase a 100% interest in the Los Menucos and Uspallata Graben properties in Argentina.

The proposed transaction (the "Acquisition") will serve as the Company's Qualifying Transaction for the purposes of the policies of the Exchange. In conjunction with and as a result of the Qualifying Transaction, the Company will also seek regulatory approval to list as a Tier 2 Mining Issuer on the Exchange.

Pursuant to the terms of the letter agreement entered into effective April 28, 2005 (the "Agreement"), subject to a royalty in respect of each property, Arminex has agreed to sell and transfer all of its right, title and interests in and to the Los Menucos and Uspallata properties (the "Properties"). The purchase price payable by Latin shall be as follows:

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- (1) An amount equal to CDN\$250,000, which shall be satisfied by the issuance of 500,000 fully paid common shares in the capital of the Latin American Minerals Inc. at an agreed price of \$0.50 per share, no later than seven (7) days after the registration by the Company of title to the Properties with the proper authorities in Argentina;
- (2) Upon the first anniversary of the registration by the Company of title to the Properties, subject to Latin retaining good, valid and marketable title to an ownership interest in either of the Properties, Latin shall issue 500,000 fully paid common shares in the capital of the Company;
- (3) In addition, if upon the second anniversary of the registration by the Company of title to the Properties, Latin retains good, valid and marketable title to an ownership interest in the Los Menucos Property, the Company shall, at its election, either issue an additional 1,000,000 fully paid common shares in the capital of the Company, or pay to Arminex, the sum of CDN\$400,000, in which case, upon payment in full no further payments shall be required.
- (4) If however upon the second anniversary of the registration by the Company of title to the Properties, Latin no longer retains good, valid and marketable title to an ownership interest in the Los Menucos Property, but does continue to retain good, valid and marketable title to an ownership interest in the Uspallata Graben Property (San Juan Province), then:
  - (a) Latin shall, at its election, either issue an additional 500,000 fully paid common shares in the capital of the Company, or pay the sum of CDN\$200,000; and
  - (b) if, upon the third anniversary of the registration by the Company of title to the Properties, Latin continues to hold good, valid and marketable title to an ownership interest in the Uspallata Graben Property, the Purchaser shall, at its election, either issue to the Vendor an additional 500,000 fully paid common shares in the capital of the Company, or pay the sum of CDN\$300,000.

Notwithstanding the consideration set out above, Arminex shall retain a 1% net smelter return royalty in respect of each of the mining claims comprising each of the Properties, provided that Latin shall have the right, exercisable individually and in respect of each and any of the Properties at any time, to extinguish the net smelter return royalty applicable to each of the Properties upon payment to Arminex of the sum of CDN\$1,000,000 per Property.

The Acquisition does not constitute a Non-Arm's Length Transaction Qualifying Transaction under the policies of the Exchange. There are no Non-Arm's Length Parties to the Company who are directors or insiders of Arminex or Golden China Resources Corporation. The Company does not intend on obtaining shareholder approval for the proposed Acquisition but rather will be preparing and filing a filing statement under the policies of the Exchange.

The Company has engaged an independent qualified person to prepare a technical report with respect to the Los Menucos Property in accordance with the requirements of NI 43-101 and the Exchange.

The Los Menucos gold project includes thirty-one (31) mineral licenses, covering 92,060 hectares, located near the town of Los Menucos approximately 300km east of the regional center of San Carlos de Bariloche in central Rio Negro Province, Argentina. The project has good access and operations can be undertaken throughout the year.

The Los Menucos Property is situated within the Somuncurá Massif, a large plateau-like physiographic area floored by Proterozoic metamorphic rocks and intruded and partly overlain by Permo-Triassic to Jurassic and younger volcanic rocks. Within only the past ten years extensive epithermal gold mineralization has been discovered within the Jurassic volcanic rocks of the Massif and the region has emerged as an important new, and under-explored, gold province.

The Los Menucos Property is largely underlain by prospective Permo-Triassic and Jurassic volcanic rocks and hosts three centers of gold mineralization identified and partially defined in past exploration programs carried out by APAC Minerals Inc., RioTinto Mining and Exploration Ltd. and Patagonia Gold S. A. during the period from 1998 to 2003.

The Caltrauna prospect has been tested by 28 reverse circulation drill holes totaling 2512 meters and 2 diamond core holes for 395 meters. High sulphidation gold mineralization, with grades ranging from 0.4 to 1.6 grams per tonne gold along thicknesses of 10 to 50 meters, occurs within silicified volcanic rocks over a surface area of 500 x 300 meters to a depth of 150 meters.

The El Puesto prospect also contains high sulphidation gold mineralization and has been tested by 27 reverse circulation drill holes totaling 2854 meters and 3 diamond core holes totaling 497 meters. Mineralization, varying in grade from 0.2 to 1.3 grams per tonne gold along thicknesses of 6 to 88 meters, has been traced in a northwest-trending corridor 800 meters long and 50-100 meters wide to a depth of 75 meters.

The Cuya prospect has been tested by 30 reverse circulation drill holes and 11 diamond core holes respectively totaling 2469 and 1407 meters. Anomalous low sulphidation gold mineralization occurs within a multiple vein system, ranging in width from 38 to 144 meters, and traced along a 1500 meter strike length to a depth of 230 meters.

Latin's initial program will include shallow drilling to define the extent and grade of near surface gold mineralization at Caltrauna and El Puesto and detailed evaluation of other less explored altered and mineralized areas within the large property.

The Uspallata Graben Property consist of twelve exploration licenses, totaling 20,264 hectares, in San Juan Province, Argentine. The licenses cover largely unevaluated altered areas, prospective for major porphyry copper and epithermal gold deposits, within the Andean Copper Belt. Uspallata Graben will be initially evaluated through conventional prospecting, mapping and sampling programs during the summer field season.

### **Results of Operations**

The Company incurred a \$57,583 loss during the current quarter versus a \$5,575 loss in the same period last year. This amounts to a \$52,008 increase over the prior period which can be attributed to the fact that the Company was only formed in December 2003 and had no operations. The costs incurred during the first quarter are composed almost entirely of professional and consulting fees utilized in the identification and evaluation of the Company's Qualifying Transaction.

**Liquidity**

The Company has identified a Qualifying Transaction but does not currently have an operating business and thus does not derive any revenues from operations. The Company's activities have been funded through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

As at March 31, 2005, the Company had working capital of \$647,151 which included a cash balance of \$703,775. Management believes the Company currently has sufficient capital with which to fund the proposed property acquisitions, the initial exploration budget and general working capital requirements for the remainder of the year.

**Capital Resources**

On February 10, 2005, the Company completed a non-brokered private placement of 1,120,000 common shares for gross proceeds of \$168,000.

During the prior year, the Company raised \$500,000 through a private placement and \$250,000 through an initial public offering.

**Commitments**

The Company had no significant commitments during the quarter.

**Related Party Transactions**

During the quarter ended March 31, 2005, the Company incurred \$11,375 in consulting fees to a director and officer.

**Outstanding Share Data**

- a) Authorized Share capital: unlimited common shares without par value

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b) Issued and Outstanding:

|                                  | Number of<br>Common Shares | Amount     |
|----------------------------------|----------------------------|------------|
| Balance at December 31, 2003     | -                          | \$ -       |
| Private Placement                | 10,000,000                 | 500,000    |
| Initial Public Offering          | 2,500,000                  | 250,000    |
| Exercise of Agents' Warrants     | 250,000                    | 25,000     |
| Less: Share Issue Costs          |                            | (129,009)  |
| Balance at December 31, 2004     | 12,750,000                 | 645,991    |
| Private Placement <sup>(1)</sup> | 1,120,000                  | 168,000    |
| Balance at March 31, 2005        | 13,870,000                 | \$ 813,991 |

<sup>1)</sup> The Company issued 1,120,000 common shares under a non-brokered private placement at \$0.15 per share for gross proceeds of \$168,000.

Number of shares held in escrow: 10,120,000 common shares which are subject to a standard 3 year release schedule.

**Options**

A summary of stock options outstanding at March 31, 2005 is as follows:

| Expiry Date   | Number of Shares | Weighted Average<br>Exercise Price |
|---------------|------------------|------------------------------------|
| April 9, 2009 | 1,200,000        | \$0.10                             |
| Total         | 1,200,000        | \$0.10                             |

**Warrants**

There are no warrants outstanding at the end of the period.

**Subsequent Events**

Subsequent to the end of the period, the Company announced its proposed Qualifying Transaction (Refer to Qualifying Transaction).

At the Company's Annual General Meeting held on May 24, 2005, shareholders approved the expansion of the Board of Directors to five members. The Board is now comprised of Robert Giustra, John Prochnau, Alberto Orcoyen, Kenneth Judge and Paul Fornazzari.

### **Financial and Other Instruments**

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying value due to the short term nature of their maturity.

### **Critical Accounting Estimates**

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

### **Risks and Uncertainties**

The Company is entering the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.
- b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the period, but there is no assurance that such sources will be available on acceptable terms in the future.
- c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- e) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to undertake its exploration and development activities in the future.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

**Management's Responsibility for Financial Statements**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

**Other Information**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Caution Regarding Forward Looking Statements**

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinion son the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

# **LATIN AMERICAN MINERALS INC.**

## **QUARTERLY FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2005**

These interim financial statements and related schedules were prepared by management. They have not been reviewed by the Company's independent external auditor.

**LATIN AMERICAN MINERALS INC.**  
**BALANCE SHEETS**  
**AS AT MARCH 31 AND DECEMBER 31**

|                | 2005              | 2004              |
|----------------|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| <b>Current</b> |                   |                   |
| Cash           | \$ 703,775        | \$ 772,767        |
| Receivables    | <u>12,628</u>     | <u>9,736</u>      |
|                | <u>\$ 716,403</u> | <u>\$ 782,503</u> |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

|  |                   |                   |
|--|-------------------|-------------------|
| <b>Current</b>                             |                   |                   |
| Accounts payable and accrued liabilities   | <u>\$ 69,252</u>  | <u>\$ 77,769</u>  |
| <b>Shareholders' equity</b>                |                   |                   |
| Capital stock (Note 5)                     | 813,991           | 645,991           |
| Subscriptions received in advance (Note 9) | -                 | 168,000           |
| Deficit                                    | <u>(166,840)</u>  | <u>(109,257)</u>  |
|  | <u>647,151</u>    | <u>704,734</u>    |
|  | <u>\$ 716,403</u> | <u>\$ 782,503</u> |

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 5)

**On behalf of the Board:**

|                        |          |                         |          |
|------------------------|----------|-------------------------|----------|
| <u>"John Prochnau"</u> | Director | <u>"Robert Giustra"</u> | Director |
| John Prochnau          |          | Robert Giustra          |          |

The accompanying notes are an integral part of these financial statements

**LATIN AMERICAN MINERALS INC.**  
**STATEMENTS OF OPERATIONS AND DEFICIT**

|   | Three<br>Months<br>Ended<br>March 31,<br>2005 | Three<br>Months<br>Ended<br>March 31,<br>2004 |
|---|---|---|
| <b>EXPENSES</b>   |   |   |
| Audit and accounting  | \$ 10,806                                     | \$ 4,500                                      |
| Consulting fees   | 11,700  | -   |
| Foreign exchange loss                                       | 196   | -   |
| Legal   | 16,166  | -   |
| Office and miscellaneous                                    | 8,020   | 1,145   |
| Shareholder information                                     | 277   | -   |
| Telecommunications  | 1,309   | -   |
| Transfer agent and filing fees                              | 7,053   | -   |
| Travel  | 3,424   | -   |
|   | <u>(58,951)</u>                               | <u>(5,645)</u>                                |
| <b>OTHER</b>  |   |   |
| Interest income   | <u>1,368</u>                                  | <u>70</u>                                     |
|   | <u>1,368</u>                                  | <u>70</u>                                     |
| <b>LOSS FOR THE PERIOD</b>                                  | (57,583)                                      | (5,575)                                       |
| <b>DEFICIT, BEGINNING OF PERIOD</b>                         | <u>(109,257)</u>                              | <u>-</u>                                      |
| <b>DEFICIT, END OF PERIOD</b>                               | <u>\$ (166,840)</u>                           | <u>\$ (5,575)</u>                             |
| <b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>              | <u>\$ (0.00)</u>                              | <u>\$ -</u>                                   |
| <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b> | <u>13,454,719</u>                             | <u>N/A</u>                                    |

The accompanying notes are an integral part of these financial statements

**LATIN AMERICAN MINERALS INC.**  
**STATEMENTS OF CASH FLOWS**

|   | Three<br>Months<br>Ended<br>March 31,<br>2005 | Three<br>Months<br>Ended<br>March 31,<br>2004 |
|---|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |   |   |
| Loss for the period   | \$ (57,583)                                   | \$ (5,575)                                    |
| Change in non-cash working capital items:                         |   |   |
| Increase in receivables   | (2,893)                                       | -   |
| Increase / (decrease) in accounts payable and accrued liabilities | <u>(8,516)</u>                                | <u>8,961</u>                                  |
| Net cash used in operating activities                             | <u>(68,992)</u>                               | <u>3,386</u>                                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |   |   |
| Subscriptions received in advance                                 | <u>-</u>                                      | <u>500,000</u>                                |
| Net cash provided by financing activities                         | <u>-</u>                                      | <u>500,000</u>                                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |   |   |
| Deferred finance charges  | <u>-</u>                                      | <u>(28,623)</u>                               |
| Net cash used in investing activities                             | <u>-</u>                                      | <u>(28,623)</u>                               |
| <b>(Decrease) increase in cash during the period</b>              | (68,992)                                      | 474,763                                       |
| <b>Cash, beginning of period</b>                                  | <u>772,767</u>                                | <u>-</u>                                      |
| <b>Cash, end of period</b>  | <u>\$ 703,775</u>                             | <u>\$ 474,763</u>                             |
| <b>Cash paid during the period for interest</b>                   | <u>\$ -</u>                                   | <u>\$ -</u>                                   |
| <b>Cash paid during the period for income taxes</b>               | <u>\$ -</u>                                   | <u>\$ -</u>                                   |

There were no significant non-cash transactions for the quarters ended March 31, 2005 and 2004.

The accompanying notes are an integral part of these financial statements

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Latin American Minerals Inc. (“Latin” or the “Company”) was incorporated under the Canada Business Corporations Act on December 9, 2003. The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Listings Policy 2.4.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an investment in properties, assets or businesses. Such an acquisition will be subject to shareholder and regulatory approval.

**2. BASIS OF PRESENTATION**

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and they follow the same accounting policies and methods of application as the most recent annual financial statements. Consequently, these statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2004.

**3. CAPITAL STOCK**

|   | Number<br>of Shares | Amount     |
|---|---------------------|------------|
| Authorized  |                     |            |
| Unlimited number of common shares without par value |                     |            |
| Common shares issued                                |                     |            |
| As at December 9, 2003 and December 31, 2003        | -                   | \$ -       |
| Private placement                                   | 10,000,000          | 500,000    |
| Initial public offering                             | 2,500,000           | 250,000    |
| Exercise of agent’s warrants                        | 250,000             | 25,000     |
| Share issuance costs                                | -                   | (129,009)  |
| As at December 31, 2004                             | 12,750,000          | \$ 645,991 |
| Private placement                                   | 1,120,000           | 168,000    |
| As at March 31, 2005                                | 13,870,000          | \$ 813,991 |

As at March 31, 2005, 10,120,000 (2004- nil) common shares are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

3. **CAPITAL STOCK** (cont'd...)

**Stock options**

The Board of Directors of the Company may from time to time, at its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase common shares, exercisable for a period of up to 5 years from the date of grant, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares.

The following incentive stock options were outstanding and exercisable at March 31, 2005:

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| Number<br>of Shares | Exercise<br>Price | Expiry Date   |
|---------------------|-------------------|---------------|
| 1,200,000           | \$ 0.10           | April 9, 2009 |

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**Stock-based compensation**

The Company records stock-based compensation expense using the Black-Scholes option pricing model to measure fair value. During the year ended December 31, 2004, the Company granted 1,200,000 options. However, because any shares received on exercise of the options would be escrowed until the Company completes a "Qualifying Transaction" as defined by the TSX-V, the compensation expense attributable to these options will not be recorded until completion of a Qualifying Transaction.

4. **RELATED PARTY TRANSACTIONS**

During the quarter ended March 31, 2005, the Company paid or accrued \$11,375 (2004 - \$nil) in consulting fees to a director and officer. This transaction was in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2005, there was an outstanding amount due to a significant shareholder of \$41,833 (2004 - \$nil) for cost reimbursements which has been included in accounts payable.

As at March 31, 2005, there were outstanding amounts due to Officers and companies controlled by Officers of \$16,330 (2004 - \$nil) which has been included in accounts payable.

5. **SUBSEQUENT EVENT**

Effective April 28, 2005, the Company entered into an agreement with Arminex S.A. (Argentine subsidiary of Golden China Resources Corporation) to purchase a 100% interest in the Los Menucos (thirty-one mineral licences covering 92,060 hectares) and Uspallata Graben (twelve exploration licenses covering 20,264 hectares) properties (the "Properties") in Argentina.

**5. SUBSEQUENT EVENT** (con't...)

The purchase price payable by the Company shall be as follows:

- (1) An amount equal to CDN\$250,000, which shall be satisfied by the issuance of 500,000 fully paid common shares in the capital of the Latin American Minerals Inc. at an agreed price of \$0.50 per share, no later than seven (7) days after the registration by the Company of title to the Properties with the proper authorities in Argentina;
- (2) Upon the first anniversary of the registration by the Company of title to the Properties, subject to Latin retaining good, valid and marketable title to an ownership interest in either of the Properties, Latin shall issue 500,000 fully paid common shares in the capital of the Company;
- (3) In addition, if upon the second anniversary of the registration by the Company of title to the Properties, Latin retains good, valid and marketable title to an ownership interest in the Los Menucos Property, the Company shall, at its election, either issue an additional 1,000,000 fully paid common shares in the capital of the Company, or pay to Arminex, the sum of CDN\$400,000, in which case, upon payment in full no further payments shall be required.
- (4) If however upon the second anniversary of the registration by the Company of title to the Properties, Latin no longer retains good, valid and marketable title to an ownership interest in the Los Menucos Property, but does continue to retain good, valid and marketable title to an ownership interest in the Uspallata Graben Property (San Juan Province), then:
  - (a) Latin shall, at its election, either issue an additional 500,000 fully paid common shares in the capital of the Company, or pay the sum of CDN\$200,000; and
  - (b) if, upon the third anniversary of the registration by the Company of title to the Properties, Latin continues to hold good, valid and marketable title to an ownership interest in the Uspallata Graben Property, it shall, at its election, either issue an additional 500,000 fully paid common shares in the capital of the Company, or pay the sum of CDN\$300,000.

Arminex S.A. shall retain a 1% net smelter return royalty in respect to each of the mining claims comprising each Property.

This proposed transaction which is subject to regulatory approval will serve as the Company's qualifying transaction for the purposes of the policies of the TSX Venture Exchange. The Company will seek regulatory approval to list as a Tier 2 Mining Issuer on the TSX Venture Exchange.